



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

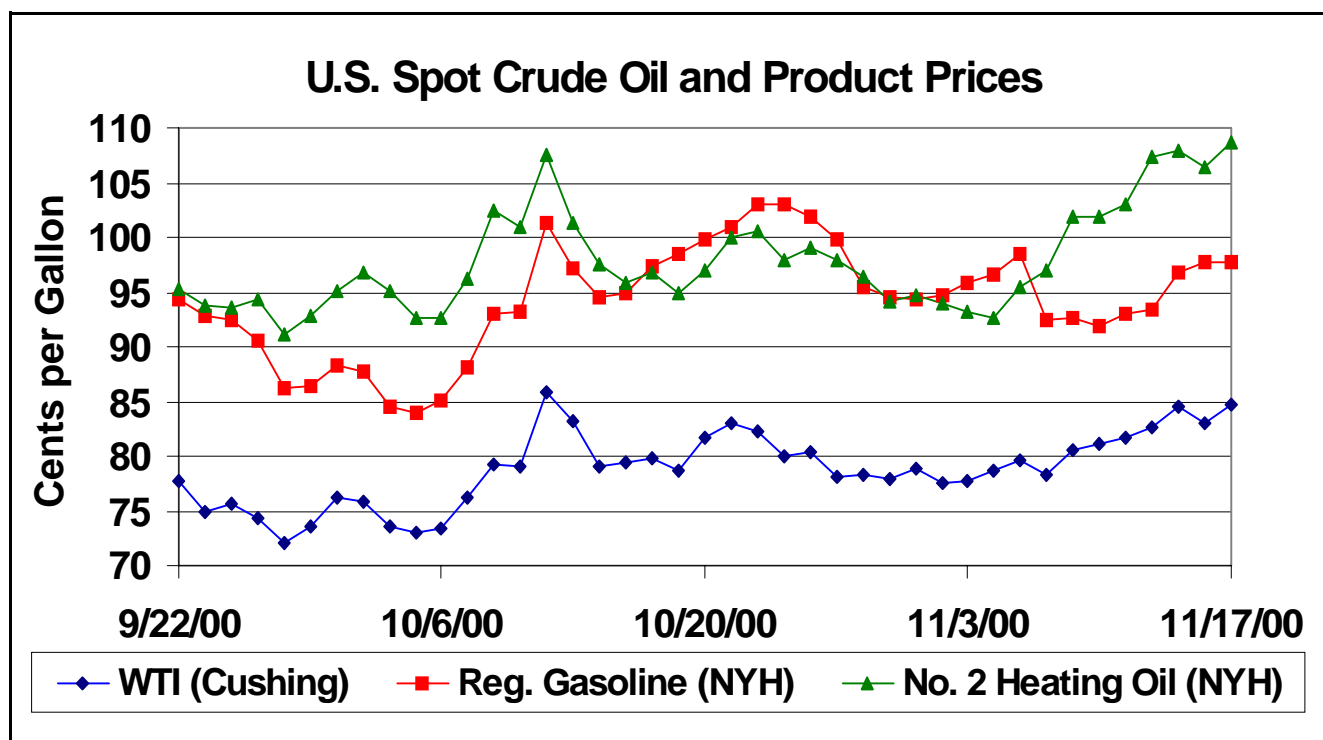
MARKET SUMMARY

The season's first significant wave of cold weather, on top of international crude oil market pressures, helped push U.S. petroleum spot and futures prices solidly higher last week. The week began with prices rising moderately following an OPEC ministerial meeting in Vienna, where the group agreed, as expected, not to change current output quotas. As the week progressed, a cold front moved from the Midwest toward the Northeast, and a new demand by Iraq to collect a price premium on crude exports worried traders. Profit-taking on Thursday pulled prices back from multi-week highs, but crude oil and distillate prices finished the week by firming ahead of crude oil futures expiration on Friday.

Crude oil - prices returned to their highest levels in more than a month, as analysts differ on whether output increases to date will be sufficient to keep world markets stable through the peak winter demand season. Stubbornly low crude and product inventories heading into winter have kept markets sensitive to possible disruptions, as evidenced by reactions to recent gambits by Iraq, including last week's demand for a 50-cent-per-barrel premium on crude oil sales. Despite assurances from Saudi Arabia that markets will be kept adequately supplied, WTI spot and futures prices ended the week at the upper end of their recent range.

Gasoline - kept pace with rising crude oil prices, despite a solid stockbuild for the week ending November 10. Scattered refinery problems continue to provide intermittent price support, though seasonally weakening demand and reports of incoming cargoes have kept markets in check.

Distillate - prices again posted the strongest increases in petroleum markets, boosted by a variety of factors. In addition to falling temperatures, upward influences included a small stockdraw for the previous week, record high natural gas prices, and continued allocations on the Colonial Pipeline.



CHRONOLOGY OF RECENT MARKET EVENTS

- 11/17 - mixed** - crude oil and distillate prices increased, while gasoline eased, reversing much of Thursday's movements. Short-covering ahead of NYMEX December crude oil contract expiration was seen as a factor, along with renewed concerns over short-term weather forecasts.
- 11/16 - mixed** - a softening of recent harsh weather forecasts pulled crude oil and distillate prices lower, while gasoline continued moderately upward from its recent lows. Profit-taking was seen in both crude oil and distillates, following a week or more of solid gains.
- 11/15 - rising** - prices rose across the board for the third straight day, lifted by continued cold weather and high natural gas prices, a small distillate stockdraw, and a new demand by Iraq for a price premium on crude oil exports. Crude and distillate prices hit their highest levels in more than a month.
- 11/14 - rising** - distillate prices surged, leading all markets higher, attributed to forecasts of very cold temperatures over much of the U.S. over the next week. Record natural gas prices also influenced petroleum markets, as did new delays in Iraqi crude export loadings.
- 11/13 - rising** - all prices increased moderately, after a weekend OPEC ministerial meeting in Vienna yielded no changes in output, as expected. Colder weather in the Midwest, headed east, helped to support distillate prices, though somewhat offset by cancellation of the threatened strike in Brazil.
- 11/10 - mixed** - crude oil prices rose slightly, lifted by shortcovering ahead of Sunday's OPEC ministerial meeting in Vienna. Product prices fell back in profit-taking following Thursday's gains, despite reports of Brazilian purchases of distillate cargoes ahead of a threatened oil workers' strike.
- 11/9 - rising** - heating oil led all prices higher, credited to a forecast of significantly colder weather in the Northeast and Midwest. Distillate prices jumped about 5 cents per gallon on the East and Gulf Coasts, while crude oil and gasoline saw smaller impacts.
- 11/8 - mixed** - crude oil and gasoline prices dropped, while distillates increased, counter to pressures from the weekly API and EIA supply reports. The lack of a significant interruption in Iraqi exports weakened crude prices, while incoming cargoes pulled New York Harbor gasoline down sharply.
- 11/7 - rising** - all prices climbed, largely attributed to an expected interruption in Iraqi exports through Ceyhan, Turkey, while awaiting final U.N. arrangements for payment in Euros instead of dollars. Heating oil prices showed the most strength, aided by distillate allocation on the Colonial Pipeline due to the high volume of shipments nominated.
- 11/6 - mixed** - distillate prices declined while crude oil and gasoline rose, repeating Friday's pattern. A declaration of *force majeure* for Nigerian crude oil exports, along with reported problems at a Gulf Coast refinery, provided upward pressures, while forecast mild weather in the Northeast kept heating oil prices relatively weak.